

**TOWN OF NOTTINGHAM**

Nottingham, New Hampshire

**FINANCIAL STATEMENTS**

December 31, 2014

# TOWN OF NOTTINGHAM

---

## Table of Contents December 31, 2014

<b>Independent Auditor's Report</b>	4-5
<b>Management's Discussion and Analysis</b>	7-21
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	28
Fiduciary Funds:	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	30
Notes to Basic Financial Statements	32-51
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	53-55
Schedule of Funding Progress for Other Postemployment Benefits	56
Notes to Required Supplementary Information	58-59
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	62

## **INDEPENDENT AUDITOR'S REPORT**

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

---

Members – American Institute of CPA's (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
Members – New Hampshire Society of CPA's

P.O. Box 8  
Laconia, New Hampshire 03247-0008  
Tel (603) 524-6734  
GCO-Audit@gcocpas.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Nottingham  
Nottingham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Nottingham as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Nottingham, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for other postemployment benefits on pages 7 through 21 and 53 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Nottingham's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Grzelak and Co., P.C.*

**GRZELAK & COMPANY, P.C., CPA's**

Laconia, New Hampshire  
September 25, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

**Town of Nottingham**  
**For the Year Ended December 31, 2014**

The Board of Selectmen and the Town Administrator, as "management" of the Town of Nottingham (the "Town"), a local municipality located in the County of Rockingham, New Hampshire, submits this section of the Town's annual financial report in order to present our discussion and analysis of the Town's financial performance during the year ended December 31, 2014 in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please read it in conjunction with the financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- The Town's total combined net position increased by \$655,473 or 6% between December 31, 2013 and 2014.
- The Town's total combined net position amounted to \$11,512,295 at December 31, 2014. Net position consisted of: \$8,897,092 net investment in capital assets; \$498,134 restricted for capital reserves; \$1,194,796 restricted for nonmajor funds for purposes of each established fund; and an unrestricted net position balance of \$922,273.
- The Town has a \$1,640,325 liability for long-term obligations. This does not mean that the Town has this entire payment requirement for next year; rather, only \$141,476 of these obligations is due to be paid during the year ended December 31, 2014.
- The Town's long-term liabilities, consisting of general obligation bonds, compensated absence obligations, and other postemployment obligations decreased by a net (additions less reductions) \$180,996 during the year ended December 31, 2014. The net decrease consisted of \$180,340 in payments made against bonds, \$48,365 in reductions to compensated absences, and \$47,709 in increases to other postemployment obligations.
- During the year, the Town's expenses were \$655,473 less than the \$4,319,534 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of property taxes and local, state and federal grants and contributions not restricted to specific purposes).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## OVERVIEW OF THE FINANCIAL STATEMENTS

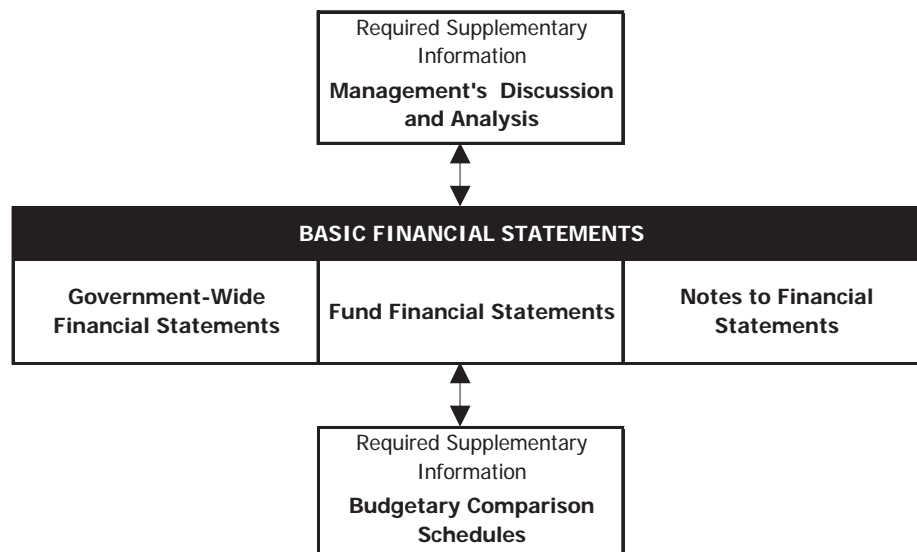
This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of six primary sections or components: (1) basic government-wide financial statements, (full accrual financial statements), (2) basic fund financial statements, (modified accrual financial statements, current financial resources only), (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, and (6) other supplementary information.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental funds statements tell how the Town's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

**Exhibit A-1**





# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Nottingham**  
**For the Year Ended December 31, 2014**

Exhibit A-2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain.

**Exhibit A-2**

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire Town government (except fiduciary funds)	All activities of the Town that are not proprietary or fiduciary	Instances in which the Town is the trustee or agent for someone else's resources
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND LIABILITIES</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Town of Nottingham  
For the Year Ended December 31, 2014

## Government-Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status and report net position and changes in it. Net position is the difference between assets and liabilities and is one way to measure the Town's financial health, or financial position.

- Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the Town other non-financial factors should also be considered, such as changes in the Town's general revenues (principally property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the Town's buildings and other depreciable property (likelihood of emergency repairs or maintenance); and other items subject to significant financial or budgetary uncertainty.

The government-wide financial statements of the Town are included in the Governmental Activities category. Most of the Town's basic services are included here, such as executive, public safety, highway maintenance, sanitation, culture and recreation and conservation services. General revenues, including property taxes, state aid, and federal and state grant programs, finance most of these activities.

## Fund Financial Statements:

The fund financial statements provide more detailed information about the Town's most significant funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenants actually require the establishment of some funds, while others are established to comply with the requirements of grantors. The Town has two kinds of funds:

Governmental Funds - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds - The Town is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE TOWN AS A WHOLE

### Net Position

Exhibit B-1 shows the composition of the Town's total combined net position, which increased between December 31, 2013 and 2014 by \$655,473 or 6% to \$11,512,295.

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2013	2014	Change
<b>Assets</b>			
Current and other assets	\$ 8,192,800	\$ 8,972,517	\$ 779,717
Noncurrent assets	10,166,478	10,170,023	3,545
<b>Total assets</b>	18,359,278	19,142,540	783,262
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	-	-	-
<b>Total deferred outflows of resources</b>	-	-	-
<b>Liabilities</b>			
Current liabilities	5,861,475	6,131,396	269,921
Noncurrent liabilities	1,640,981	1,498,849	(142,132)
<b>Total liabilities</b>	7,502,456	7,630,245	127,789
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	-	-	-
<b>Total deferred inflows of resources</b>	-	-	-
<b>Net Position</b>			
Net investment in capital assets	8,725,987	8,897,092	171,105
Restricted	1,470,526	1,692,930	222,404
Unrestricted	660,309	922,273	261,964
<b>Total net position</b>	\$ 10,856,822	\$ 11,512,295	\$ 655,473

A portion of the net position are either invested in capital assets or restricted as to the purposes they can be used for.

- The Town's investment in capital assets (land and land improvements, buildings, vehicles, furniture and equipment and infrastructure, net of accumulated depreciation), net of related debt, is the largest component of the total combined net position.
- Restricted net position represent capital project, capital reserves and specific fund net position amounts that are not available for discretionary spending.

Unrestricted net position is a positive \$922,273 at December 31, 2014.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## Change in Net position

The Town's total revenues were \$4,319,534 while total expenses were \$3,664,061, resulting in an increase in net position of \$655,473.

Exhibit B-2 shows that a significant portion of the Town's total revenues came from the following general revenue sources; 60.05% from property taxes, 21.66% from local sources and unrestricted fees, 5.40% from State of New Hampshire source intergovernmental revenues primarily derived from state aid programs. Program revenues directly associated with a specific department accounted for the following percentages of total revenues, charges for services provided 7.05% of total revenues while operating grants and contributions provided 3.01% of total revenues.

## Exhibit B-2 SOURCES OF TOWN REVENUES

Governmental Activities							
	2013		2014		Change		
<b>Program Revenues</b>							
Charges for services	\$	289,164	7.24%	\$	304,318	7.05%	\$ 15,154 5.24%
Operating grants and contributions		129,417	3.24%		130,058	3.01%	641 0.50%
<b>General Revenues</b>							
Property taxes		2,351,017	58.90%		2,593,931	60.05%	242,914 10.33%
Local sources		858,759	21.52%		935,803	21.66%	77,044 8.97%
State of New Hampshire sources		218,327	5.47%		233,340	5.40%	15,013 6.88%
Miscellaneous		134,568	3.37%		121,409	2.81%	(13,159) -9.78%
Other sources		10,176	0.25%		675	0.02%	(9,501) -93.37%
	<u>\$</u>	<u>3,991,428</u>	<u>100.00%</u>	<u>\$</u>	<u>4,319,534</u>	<u>100.00%</u>	<u>\$ 328,106 8.22%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

Exhibit B-3 shows that public safety expenses accounted for 20.45% of total expenses, while 28.65% were for general government services and 12.80% were for maintenance of highways and streets.

## Exhibit B-3 TOWN EXPENSES

### Governmental Activities

	2013		2014		Change	
<b>Functions / Programs</b>						
General government	\$ 1,003,929	26.64%	\$ 1,049,588	28.65%	\$ 45,659	4.55%
Public safety	697,570	18.51%	749,296	20.45%	51,726	7.42%
Highways and streets	664,875	17.65%	469,137	12.80%	(195,738)	-29.44%
Sanitation	170,717	4.53%	176,467	4.82%	5,750	3.37%
Health	31,466	0.84%	5,037	0.14%	(26,429)	-83.99%
Welfare	2,841	0.08%	29,766	0.81%	26,925	947.73%
Culture and recreation	150,430	3.99%	134,969	3.68%	(15,461)	-10.28%
Library	180,683	4.80%	214,704	5.86%	34,021	18.83%
Conservation	35,680	0.95%	755	0.02%	(34,925)	-97.88%
Debt service	33,551	0.89%	26,335	0.72%	(7,216)	-21.51%
Capital outlay	33,661	0.89%	53,450	1.46%	19,789	58.79%
Other financing uses	125,713	3.34%	50,340	1.37%	(75,373)	-59.96%
<b>Unallocated</b>						
Depreciation	636,827	16.90%	704,217	19.22%	67,390	10.58%
	<u>\$ 3,767,943</u>	<u>100.00%</u>	<u>\$ 3,664,061</u>	<u>100.00%</u>	<u>\$ (103,882)</u>	<u>-2.76%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## Governmental Activities

Exhibit B-4 presents the net cost of the Town's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally property taxes and general state aid).

### Exhibit B-4 TOTAL AND NET COST OF SERVICES

	2013		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions / Programs</b>				
General government	\$ 1,003,929	\$ 877,242	\$ 1,049,588	\$ 890,608
Public safety	697,570	673,135	749,296	732,102
Highways and streets	664,875	535,458	469,137	334,881
Sanitation	170,717	123,120	176,467	176,467
Health	31,466	31,466	5,037	5,037
Welfare	2,841	2,841	29,766	29,766
Culture and recreation	150,430	59,985	134,969	11,023
Library	180,683	180,683	214,704	214,704
Conservation	35,680	35,680	755	755
Debt Service	33,551	33,551	26,335	26,335
Capital outlay	33,661	33,661	53,450	53,450
Other financing uses/nonoperating expenses	125,713	125,713	50,340	50,340
<b>Unallocated</b>				
Depreciation	636,827	636,827	704,217	704,217
	<u>\$ 3,767,943</u>	<u>\$ 3,349,362</u>	<u>\$ 3,664,061</u>	<u>\$ 3,229,685</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

**Town of Nottingham**  
**For the Year Ended December 31, 2014**

The total cost of all governmental activities this year was \$3,664,061; the total net cost was \$3,229,685. The primary financing for these activities of the Town was as follows:

## General Revenues

- Taxes - The amount that was paid by taxpayers was \$2,463,760 from property taxes, \$21,500 from land use change taxes, \$17,558 from yield taxes, and \$98 from other taxes. Interest collected on delinquent taxes was \$122,337, while abatements charged against current year taxes were \$31,322.
- Licenses, permits and fees - Motor vehicle permits were \$837,611 while building permits were \$55,292 and other licenses, permits and fees totaled \$42,900.
- State of NH sources - Meals and rental tax distributions were \$233,340.
- Miscellaneous revenues – Interest on investments were reported in the amount of \$16,591, sales of municipal property were \$3,297 while other miscellaneous revenues amounted to \$101,521.
- Other financing sources amounted to \$675.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Town of Nottingham  
For the Year Ended December 31, 2014

## ANALYSIS OF BALANCES AND TRANSACTIONS OF THE TOWN'S INDIVIDUAL FUNDS

### General Fund

The general fund balance increased \$387,164 during the year from a surplus balance of \$1,400,637 at December 31, 2013 to a \$1,787,801 fund balance at December 31, 2014. The December 31, 2014 fund balance was comprised of \$498,134 restricted for capital reserves, and \$1,289,667 of unassigned fund balance.

### Nonmajor Governmental Funds

#### Library Fund

The library fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The library fund is used to account for the operations of the Town library. The library fund balance was \$43,546 at December 31, 2014.

#### Recreation Revolving Fund

The recreation revolving fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The recreation revolving fund was established in accordance with state statutes to account for revenues collected in connection with recreation programs and activities. The recreation revolving fund balance was \$155,888 at December 31, 2014.

#### Conservation Fund

The conservation fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The conservation fund was established to account for land use change tax revenues voted at a previous town meeting to be set aside for conservation purposes. The conservation fund balance was \$435,333 at December 31, 2014.

#### DARE Fund

The DARE fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The DARE fund was established to account for donations earmarked for a specific purpose. The DARE fund had a balance of \$5,120 at December 31, 2014.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## NCPP Playground Fund

The NCPP playground fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The NCPP playground fund was established to account for revenues and donations earmarked specifically for the construction of the playground. The NCPP playground fund had a balance of \$17,359 at December 31, 2014.

## Ambulance Fund

The ambulance fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The ambulance fund was established to account for revenues from ambulance service billings. The ambulance fund balance was \$279,789 at December 31, 2014.

## Theatre Project Fund

The Theatre Project fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The fund was established to account for revenues and donations earmarked specifically for the theatre project. The fund balance at December 31, 2014 was \$7,314.

## Cable Franchise Fee Fund

The cable franchise fee fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The fund was established in 2011 to account for upgrades to the towns' cable TV system. 50% of annual cable franchise fees are designated to the fund. The fund balance at December 31, 2014 was \$48,436.

## Common Trust Funds

The common trust funds are classified as a permanent trust fund and are aggregated in the category nonmajor governmental funds in the basic financial statements. The common trust funds balance was \$82,449 at December 31, 2014. The fund balance is comprised of nonspendable endowments in the amount of \$50,055 and \$32,394 of restricted income.

## McLean Rescue Squad Fund

The McLean rescue squad fund is classified as a permanent trust fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The McLean Rescue Squad fund was established in 1997 in accordance with the last will and testament of Douglas McLean. The trust was accepted by the Town and transferred to the Trustees of Trust Funds in 2004 in accordance with a Rockingham County Probate Court Decree. The McLean Rescue Squad Fund balance was \$119,562 at December 31, 2014. The fund balance is comprised of \$109,168 of nonspendable endowments and \$10,394 of restricted income.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Town of Nottingham  
For the Year Ended December 31, 2014

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended December 31, 2014 the Town did not revise its statutory budgetary line items; rather, the Town's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

### Final Versus Original Budget Comparison

The original and final budgets varied by \$22,418 of encumbrances carried forward from the prior year.

### Actual Versus Final Budget Comparison

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) exceeded the budgetary revenue estimates by a positive variance of \$87,791.
- Actual outflows (expenditures or charges to appropriations) were less than the total budgeted appropriations by \$183,155.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2014, the Town had invested \$10,170,023 (\$30,874,096 at cost or estimated cost less accumulated depreciation of \$20,704,073) in a broad range of capital assets, including land and land improvements, infrastructure, buildings, vehicles and machinery and equipment as summarized in Exhibit C-1.

This amount represents a net increase of 0.03% over the prior year. This year major additions are also summarized in Exhibit C-1.

### Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	Governmental Activities		
	2013	2014	Change
Land and improvements	\$ 1,544,720	\$ 1,605,720	3.95%
Infrastructure	22,863,593	23,352,807	2.14%
Buildings	2,537,336	2,561,111	0.94%
Vehicles	2,197,275	2,171,342	-1.18%
Machinery and equipment	1,146,855	1,183,116	3.16%
<b>Capital assets, at cost</b>	<b>30,289,779</b>	<b>30,874,096</b>	<b>1.93%</b>
Accumulated Depreciation	(20,123,301)	(20,704,073)	-2.89%
<b>Capital assets, net</b>	<b>\$ 10,166,478</b>	<b>\$ 10,170,023</b>	<b>0.03%</b>
<b>Increase in Capital Assets, Net</b>		<b>\$ 3,545</b>	
<b>Changes</b>			
Land and improvement additions		\$ 61,000	
Infrastructure additions		489,214	
Building additions		23,775	
Vehicle additions		54,394	
Machinery and equipment additions		82,010	
Gain / (Loss) on disposals		(2,631)	
Depreciation expense		(704,217)	
		<b>\$ 3,545</b>	

More detailed information about the Town's capital assets is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nottingham  
For the Year Ended December 31, 2014

## Debt

At December 31, 2014, the Town had \$1,498,849 of long-term obligations (\$1,640,325 in total obligations less the current portion of \$141,476) as summarized in Exhibit C-2.

This amount represents a net decrease of 8.66% from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2013	2014	Change
General obligation bonds	\$ 1,581,064	\$ 1,400,724	-11.41%
Compensated absences	154,192	105,827	-31.37%
OPEB obligations	86,065	133,774	55.43%
	1,821,321	1,640,325	-9.94%
Less current portion	(180,340)	(141,476)	21.55%
	<u>\$ 1,640,981</u>	<u>\$ 1,498,849</u>	<u>-8.66%</u>
<b>Increase/(Decrease), Net</b>		<u>\$ (142,132)</u>	
<b>Changes in Long-Term Obligations</b>			
Principal payments on general obligation bonds		\$ (180,340)	
Change in compensated absences		(48,365)	
Change in OPEB obligations		47,709	
Change in current portion		<u>38,864</u>	
		<u>\$ (142,132)</u>	

State law (RSA 195:6II) limits the amount of general obligation debt that the Town may incur at any one time to 1.75% of the locally assessed valuation as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. At December 31, 2014, the Town was significantly below its legal debt limit of approximately \$9,536,894.

More detailed information about the Town's long-term liabilities is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Town of Nottingham  
For the Year Ended December 31, 2014

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Town management and the Selectmen considered many factors when submitting the 2015 budget to the Municipal Budget Committee and the Town voters.

Priorities for the town, as reflected in the spending planned for 2015, included:

- Maintenance of our investments in town properties, roads and equipment
- Meeting the demands of increased insurance premiums
- Upgrades to the recycling center to provide operational efficiencies and improved customer experience
- Keeping town employee overall compensation competitive, and rewarding performance through merit-based wage increases

Savings were anticipated compared to prior years with legal services, debt service, and some fuel and utility costs. We continue to use the Capital Improvement Plan to guide larger investments and provide for the long-term health of the town's finances.

As we have stated in prior years, we are constantly working toward keeping tax rates stable while maintaining reasonable levels of service to the community.

## CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Administrator.

## **BASIC FINANCIAL STATEMENTS**

# TOWN OF NOTTINGHAM

## Statement of Net Position December 31, 2014

Primary Government  
Governmental  
Activities

### ASSETS

Cash and cash equivalents	\$ 7,263,363
Investments	68,560
Receivables, net	1,640,594
Internal balances due to/from other funds	-
Capital assets:	
Land, improvements, and construction in progress	1,595,735
Other capital assets, net of accumulated depreciation	8,574,288
Total assets	<u>19,142,540</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	-
Total deferred outflows of resources	<u>-</u>

### LIABILITIES

Accounts payable	521,124
Accrued expenses	117
Due to other governments	5,465,384
Internal balances due to/from other funds	3,295
Current portion long term debt	141,476
Notes payable, long term	1,259,248
Compensated absences	105,827
OPEB obligations	133,774
Total liabilities	<u>7,630,245</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	-
Total deferred inflows of resources	<u>-</u>

### NET POSITION

Net investment in capital assets	8,897,092
Restricted for:	
Capital reserves	498,134
Nonmajor funds and other purposes	1,194,796
Unrestricted	922,273
Total net position	<u>\$ 11,512,295</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# TOWN OF NOTTINGHAM

## Statement of Activities Year Ended December 31, 2014

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Governmental activities:				
General government	\$ 1,049,588	\$ 158,980	\$ -	\$ (890,608)
Public safety	749,296	17,194	-	(732,102)
Highways and streets	469,137	4,198	130,058	(334,881)
Sanitation	176,467	-	-	(176,467)
Health	5,037	-	-	(5,037)
Welfare	29,766	-	-	(29,766)
Culture and recreation	349,673	123,946	-	(225,727)
Conservation	755	-	-	(755)
Debt service	26,335	-	-	(26,335)
Capital outlay	53,450	-	-	(53,450)
Other financing uses	50,340	-	-	(50,340)
Depreciation (unallocated)	704,217	-	-	(704,217)
Total governmental activities	<u>3,664,061</u>	<u>304,318</u>	<u>130,058</u>	<u>(3,229,685)</u>
General revenues:				
Taxes				\$ 2,593,931
Charges, grants, and contributions not restricted to specific purposes:				
Licenses, permits and fees				935,803
State of NH sources				233,340
Miscellaneous revenues				121,409
Other financing sources				<u>675</u>
Total general revenues				<u>3,885,158</u>
Change in net position				655,473
Net position - beginning				<u>10,856,822</u>
Net position - ending				<u>\$ 11,512,295</u>

The accompanying notes to the basic financial statements are an integral part of this statement.



# TOWN OF NOTTINGHAM

## Balance Sheet Governmental Funds December 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 6,128,074	\$ 1,135,289	\$ 7,263,363
Investments	68,560	-	68,560
Property taxes receivable	750,156	-	750,156
Land use taxes receivable	5,800	-	5,800
Tax liens receivable	820,812	-	820,812
Accounts receivable	-	63,826	63,826
Due from other funds	105,414	20,822	126,236
Total assets	<u>\$ 7,878,816</u>	<u>\$ 1,219,937</u>	<u>\$ 9,098,753</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 521,124	\$ -	\$ 521,124
Accrued expenses	117	-	117
Due to other governments	5,465,384	-	5,465,384
Due to other funds	104,390	25,141	129,531
Total liabilities	<u>6,091,015</u>	<u>25,141</u>	<u>6,116,156</u>
Fund balances:			
Nonspendable	-	159,223	159,223
Restricted	498,134	987,624	1,485,758
Committed	-	5,120	5,120
Assigned	-	43,546	43,546
Unassigned	1,289,667	(717)	1,288,950
Total fund balances	<u>1,787,801</u>	<u>1,194,796</u>	<u>2,982,597</u>
Total liabilities and fund balances	<u>\$ 7,878,816</u>	<u>\$ 1,219,937</u>	<u>\$ 9,098,753</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

## TOWN OF NOTTINGHAM

---

### Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2014

**Total Fund Balances - Governmental Funds** \$ 2,982,597

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 30,874,096	
Less accumulated depreciation	<u>(20,704,073)</u>	10,170,023

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(1,400,724)	
Compensated absences	(105,827)	
OPEB obligations	<u>(133,774)</u>	<u>(1,640,325)</u>

**Total Net Position - Governmental Activities** \$ 11,512,295

The accompanying notes to the basic financial statements are an integral part of this statement.

# TOWN OF NOTTINGHAM

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended December 31, 2014

		Nonmajor Governmental	Total Governmental
	General Fund	Funds	Funds
<b>Revenues</b>			
Taxes	\$ 2,593,931	\$ -	\$ 2,593,931
Licenses, permits and fees	935,803	-	935,803
State of NH sources	363,398	-	363,398
Charges for services	78,021	193,333	271,354
Miscellaneous revenues	72,021	65,761	137,782
Investment income	10,915	5,676	16,591
Total revenues	<u>4,054,089</u>	<u>264,770</u>	<u>4,318,859</u>
<b>Expenditures</b>			
Current:			
General government	1,165,139	25,631	1,190,770
Public safety	814,903	21,032	835,935
Highways and streets	967,487	-	967,487
Sanitation	180,187	-	180,187
Health	5,037	-	5,037
Welfare	29,766	-	29,766
Culture and recreation	243,526	134,339	377,865
Conservation	755	-	755
Debt service:			
Principal	141,475	-	141,475
Interest	65,200	-	65,200
Capital outlay	53,450	-	53,450
Total expenditures	<u>3,666,925</u>	<u>181,002</u>	<u>3,847,927</u>
Excess (deficiency) of revenues over expenditures	387,164	83,768	470,932
Fund balances - beginning of year	<u>1,400,637</u>	<u>1,111,028</u>	<u>2,511,665</u>
Fund balances - end of year	<u>\$ 1,787,801</u>	<u>\$ 1,194,796</u>	<u>\$ 2,982,597</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

## TOWN OF NOTTINGHAM

---

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	470,932
---	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$	710,393	
Depreciation expense		(704,217)	
Loss on disposal of assets		<u>(2,631)</u>	3,545

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal on bonds			180,340
Principal on capital leases			-

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Compensated absences (increase) decrease			48,365
OPEB obligations			<u>(47,709)</u>

<b>Change in Net Position of Governmental Activities</b>	\$	<u>655,473</u>
--	----	----------------

The accompanying notes to the basic financial statements are an integral part of this statement.

# TOWN OF NOTTINGHAM

## Statement of Net Position Fiduciary Funds December 31, 2014

	<u>Local Trusts</u>	<u>Total Private Purpose Trusts</u>	<u>Escrow Deposits</u>	<u>School District Capital Reserves</u>	<u>Total Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 7,970	\$ 7,970	\$ 65,958	\$ 104,231	\$ 170,189	\$ 178,159
Investments	-	-	116,713	-	116,713	116,713
Due from other funds	-	-	3,295	-	3,295	3,295
Total assets	<u>\$ 7,970</u>	<u>\$ 7,970</u>	<u>\$ 185,966</u>	<u>\$ 104,231</u>	<u>\$ 290,197</u>	<u>\$ 298,167</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	104,231	104,231	104,231
Held on behalf of others	-	-	185,966	-	185,966	185,966
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,966</u>	<u>\$ 104,231</u>	<u>\$ 290,197</u>	<u>\$ 290,197</u>
<b>Net Position</b>						
Held in trust for private purposes	<u>\$ 7,970</u>	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 7,970</u>
Total net position	<u>\$ 7,970</u>	<u>\$ 7,970</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 7,970</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# TOWN OF NOTTINGHAM

## Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds Year Ended December 31, 2014

	Local Trusts	Total Private Purpose Trust Funds
<b>Additions:</b>		
Miscellaneous revenues	\$ 194	\$ 194
Total additions	<u>194</u>	<u>194</u>
<b>Deductions:</b>		
Welfare	-	-
Culture and recreation	<u>-</u>	<u>-</u>
Total deductions	<u>-</u>	<u>-</u>
Operating income (loss)	<u>194</u>	<u>194</u>
Net position beginning of year	<u>7,776</u>	<u>7,776</u>
Net position end of year	<u>\$ 7,970</u>	<u>\$ 7,970</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Nottingham (the "Town" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the Town are discussed below.

### A. THE REPORTING ENTITY

The Town is a local government governed by an elected Board of Selectmen. As required by GAAP, these financial statements are required to present the Town and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government.

### B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town does not have any business type primary activities.

In the government-wide Statement of Net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.



The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

### C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on a minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the Town:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

**General Fund** is the general operating fund of the Town and is used to account for all resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (such as federal and state grants, and restricted revenues, etc.) that are legally restricted to expenditures for specific purposes.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Permanent Funds** are used to account for trust arrangements in which the Town is the beneficiary of the earnings on the principal, including public-purpose funds previously classified as nonexpendable trust funds.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the Town:

**Private Purpose Trust Funds** are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments, but not the Town. The assets are essentially held in trust for someone outside the reporting entity.

**Agency Funds** are used to report assets held in a purely custodial capacity for individuals, organizations, or other governments outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report.

### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

#### Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

#### Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and asset are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

## E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

### Cash and Cash Equivalents and Investments

The Town has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the Town.

Investments are stated at fair value (quoted market price or the best available estimate).

### Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

### Inventories

For fund financial statements, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when purchased. For government-wide financial statements, inventories are carried at cost using the first-in, first-out method.

### Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the Town's capitalization policy, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization	Estimated Useful
	Threshold	Lives
Land	All	na
Land Improvements	All	20
Buildings and Improvements	All	25-50
Machinery, Equipment and Other	\$1,000	5-20
Vehicles	\$1,000	7-15
Infrastructure	\$10,000	20-50

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

### Compensated Absences

For government-wide financial statements the Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For governmental funds, only the current portion, (the amount estimated to be paid within one operating period) is accrued. The long-term portion represents a reconciling item between the fund and government-wide presentations.

### Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable, capital leases, accrued compensated absences, and special termination benefits. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due.

### Governmental Fund Equity and Fund Balance Policy

The Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

**Nonspendable** – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

**Committed** – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority (Board of Selectmen). This would include contractual obligations if existing resources have been committed. Formal action (Board vote at a public meeting) to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

**Assigned** – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body (Board of Selectmen), or by and official whom authority has been given (Town Administrator). Such assignments cannot exceed the available fund balance in any particular fund. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative “unassigned” general fund balance.

**Unassigned** – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by the unrestricted classifications of, committed, assigned and unassigned fund balances.

The Town has not adopted a policy regarding the maintenance of a minimum fund balance.

## Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the Town receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met.

General revenues on the Statement of Activities include property taxes and aid from various State of New Hampshire sources that are not program revenues (charges for services, or related to operating or capital grant programs).

## Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Legal Debt Limit

Per state statute, the Town may not incur debt at any one time in excess of 1.75% of its locally assessed valuation as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration.

For the year ended December 31, 2014, the Town had not exceeded its legal debt limit.

### Risk Management

The Town is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Town is a member of the *Property Liability Trust, (PLT)*. PLT provides certain property and liability insurance coverage's to member towns, cities and other qualified political subdivisions of New Hampshire. The Trust is classified as a "Risk Pool" as described in Statement Number 10 of the Governmental Accounting Standards Board. The Town shares in contributing to the cost of, and receiving the benefits from a self-insured pooled risk management program. The membership and protection run from July 1<sup>st</sup> to June 30<sup>th</sup>. PLT maintains a self-insured retention above which it purchases reinsurance and excess insurance.

The Town also participates in the Workers' Compensation program administered by the New Hampshire Public Risk Management Exchange (Primex). This is a pooled risk management program under RSA 5-B and RSA 281-A. The Town of Nottingham contributions for the calendar year 2013 were \$33,499.

### Claims, Judgments and Contingent Liabilities

#### Grant Programs

The Town may participate in state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the Town has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the Town. At December 31, 2014, the Town believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, and contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

#### Litigation

The Town is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the Town believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

## NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 7,331,923
Fiduciary funds:	
Cash and investments	<u>294,872</u>
	<u>\$ 7,626,795</u>

Deposits and investments as of December 31, 2014 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	7,441,522
Investments	<u>185,273</u>
	<u>\$ 7,626,795</u>

### Credit Risk – Deposits

The Town maintains deposits in accordance with RSA 41:29 which states that the treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits, United States government obligations, United States government agency obligations, or obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case. The amount of collected funds on deposit in any one bank shall not for more than 20 days exceed the sum of its paid-up capital and surplus.

### Credit Risk - Investments

The Town maintains investments in accordance with RSA 41:29 which states that whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall, with the approval of the selectmen, invest the same in obligations of the United States government, in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the state of New Hampshire or in banks recognized by the state treasurer. Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. At least yearly, the selectmen shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.

Investments made by the Town as of December 31, 2014 are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
NH Public Deposit Investment Pool	\$ 185,273	na	
	<u>\$ 185,273</u>		

### Concentration of Credit Risk

The Town does not have a formal investment policy that limits the amount the Town may invest in any one issuer. Investments of 5% or more of the Town's investments are as follows:

		<u>%</u>
NH Public Deposit Investment Pool	\$ 185,273	100%
	<u>\$ 185,273</u>	<u>100%</u>

### Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk on deposits. As of December 31, 2014, \$793,582 of the Town's bank balance of \$7,066,508 was covered by FDIC insurance, in addition, deposits with Citizens Bank, N.A. were subject to a Tri-Party Collateral agreement among the town, Citizens Bank and The Bank of New York.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$185,273 in various investments, \$0 is held by the investment's counterparty, not in the name of the Town.



## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances at December 31, 2014 were as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 105,414	\$ 104,390
Nonmajor Funds:		
Recreation revolving fund	15,542	-
Playground fund	3,815	-
DARE fund	-	1,881
Ambulance fund	-	14,362
Theatre project	1,465	-
Cable franchise fee fund	-	8,898
Fiduciary Funds:		
Agency funds	3,295	-
	<u>\$ 129,531</u>	<u>\$ 129,531</u>

### Transfers

There were no individual interfund transfers for the year ended December 31, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ -
Nonmajor Funds:		
Common trust funds	-	-
	<u>\$ -</u>	<u>\$ -</u>

The Town makes routine transfers during the year between the general fund and other funds based upon statutory or budgetary authorization.

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

There were no intergovernmental receivables at December 31, 2014:

	General Fund
State Governments	
New Hampshire	\$ -
	<u>\$ -</u>

### Intergovernmental Payables

Intergovernmental payables at December 31, 2014 consisted of the following:

	<u>General Fund</u>	<u>Fiduciary Funds</u>
Local Governments		
Nottingham School District	\$ 5,465,384	\$ 104,231
	<u>\$ 5,465,384</u>	<u>\$ 104,231</u>

The intergovernmental payable at December 31, 2014 represents the balance of the school district assessment included in the 2014 property tax billings for the school fiscal year ended June 30, 2015 and the School District Capital Reserves held by the Trustees of Trust Funds.

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Town for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 1,534,735	\$ 61,000	\$ -	\$ 1,595,735
	<u>1,534,735</u>	<u>61,000</u>	<u>-</u>	<u>1,595,735</u>
<b>Capital assets being depreciated:</b>				
Land improvements	9,985	-	-	9,985
Infrastructure	22,863,593	489,214	-	23,352,807
Buildings	2,537,336	23,775	-	2,561,111
Vehicles	2,197,275	54,394	80,327	2,171,342
Machinery and equipment	1,146,855	82,010	45,749	1,183,116
	<u>28,755,044</u>	<u>649,393</u>	<u>126,076</u>	<u>29,278,361</u>
Less accumulated depreciation:				
Land improvements	4,645	351	-	4,996
Infrastructure	17,346,913	416,883	-	17,763,796
Buildings	719,697	91,149	-	810,846
Vehicles	1,205,998	137,110	77,797	1,265,311
Machinery and equipment	846,048	58,724	45,648	859,124
Accumulated depreciation	<u>20,123,301</u>	<u>704,217</u>	<u>123,445</u>	<u>20,704,073</u>
Capital assets being depreciated, net	<u>8,631,743</u>	<u>(54,824)</u>	<u>2,631</u>	<u>8,574,288</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 10,166,478</u>	<u>\$ 6,176</u>	<u>\$ 2,631</u>	<u>\$ 10,170,023</u>
Depreciation expense for the year ended December 31, 2014 (unallocated)				<u>\$ 704,217</u>

## NOTE 7 - LONG-TERM LIABILITIES

The Town can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the Town. The Town is obligated under certain leases accounted for as capital leases. The leased assets are accounted for as capital assets and capital lease liabilities in the government-wide financial statements. In the governmental fund financial statements the lease is recorded as an expenditure and other financing source in the year executed; annual lease payments are recorded as expenditures when paid. Other long-term obligations include compensated absences and early retirement obligations.

A summary of long-term liabilities outstanding at December 31, 2014 is as follows:

	General Obligation Bonds	Compensated Absences	OPEB Obligations	Total
Beginning balance	\$ 1,581,064	\$ 154,192	\$ 86,065	\$ 1,821,321
Additions	-	-	47,709	47,709
Reductions	(180,340)	(48,365)	-	(228,705)
Ending balance	<u>1,400,724</u>	<u>105,827</u>	<u>133,774</u>	<u>1,640,325</u>
Current portion	141,476	-	-	141,476
Noncurrent portion	<u>1,259,248</u>	<u>105,827</u>	<u>133,774</u>	<u>1,498,849</u>
	<u>\$ 1,400,724</u>	<u>\$ 105,827</u>	<u>\$ 133,774</u>	<u>\$ 1,640,325</u>

Long-term liabilities outstanding at December 31, 2014 consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Original Amount of Issue	Balance Outstanding
<u>General Obligation Bonds and Notes</u>					
Community Center Renovation	2002	3.00%	8/15/2017	\$ 440,000	\$ 90,000
State Revolving Loan Proceeds	2003	3.69%	6/1/2024	121,691	127,793
Promissory Note - Easement	2007	4.44%	7/31/2027	850,000	573,750
Promissory Note - Fire Station	2007	4.44%	7/31/2027	800,000	533,331
Salt/Sand Sheds Note	2009	4.46%	7/30/2019	180,000	<u>75,850</u>
					<u>1,400,724</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					105,827
OPEB obligations					<u>133,774</u>
					<u>239,601</u>
					<u>\$ 1,640,325</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 141,476	\$ 59,787	\$ 201,263
2016	141,476	53,592	195,068
2017	141,476	47,369	188,845
2018	111,475	41,113	152,588
2019	111,475	36,209	147,684
After	<u>753,346</u>	<u>134,805</u>	<u>888,151</u>
	<u>\$ 1,400,724</u>	<u>\$ 372,875</u>	<u>\$ 1,773,599</u>

**NOTE 8 - PROPERTY TAXES****Property Tax Calendar**

The Town is responsible for assessing, collecting and distributing property taxes in accordance with state legislation. The property tax year is from April 1 - March 31. Unpaid property taxes may be lienied (following statutory notification and procedural guidelines) as soon as 30-days after the final bill (or installment) is due. Unpaid taxes are assessed interest at a rate of 12% up to the "lien date," at which time the rate increases to 18%. Two years from the execution of the real estate tax lien the Tax Collector may execute to the lienholder a "deed" of the property subject to the real estate tax lien and not redeemed (paid).

**Revenue Recognition**

The Town recognizes property tax revenues when they are levied (i.e., after a warrant for collection is committed to the Tax Collector by the Board of Selectmen). This is a GAAP departure (from *GASB Statement #1* generally, and specifically *NCGA Interpretation -3 "Revenue Recognition - Property Taxes"*). Under GAAP, certain disclosures are required of property tax revenues that are not received during the period, or within 60-days thereafter, that are recognized as receivables without a corresponding reserve. The Town believes that this application of GAAP to its property tax revenues would result in misleading financial statements since such GAAP application would reduce fund balance by the amount of uncollected property taxes; concurrent with a GAAP requirement to record an expenditure (and payable) for the amount due to the local education authority (such amount based solely on a share of the uncollected property taxes). This GAAP departure as applied to New Hampshire towns was addressed by the GASB in 1984. The GASB, in responding to an inquiry on this matter, provided justification for the departure from the 60-day rule due to the unique legislation in the State of New Hampshire regarding the Town's responsibility for (and expenditure recognition of) intergovernmental payments to the local education authority (school district). This justification has been reviewed and accepted by the New Hampshire Department of Revenue Administration (which requires GAAP-based regulatory reporting) and has been established as a widely prevalent practice followed by most New Hampshire towns.

**Allocation of Property Tax Assessment**

<b>Total Property Tax Commitment</b>	<u>\$ 11,739,700</u>	
<b>Property Tax Allocation:</b>		Rate Per \$1,000
Town Portion	\$ 2,592,266	\$ 4.76
Less: War Service Credit	(132,100)	
Local School Portion	7,380,606	13.54
State School Portion	1,334,778	2.48
County Portion	564,150	1.04
<b>Total Allocation</b>	<u>\$ 11,739,700</u>	<u>\$ 21.82</u>

### NOTE 9 - PENSION PLAN

The Town participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the Town. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0%, for Group I employees, 9.3% for Group II Police, and 11.8% for Group II Fire employees, of their covered salary, and the town is required to contribute at an actuarially determined rate. The Town's contribution rates as of December 31, 2014 were 10.77% for Group I employees, 25.30% for Group II Policemen, and 27.74% for Group II Firemen, as applicable. The Town's contributions to the System for the years ending December 31, 2014, 2013, and 2012 were \$99,036, \$93,602, and \$74,885, respectively.

### NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers to all full-time employees the option of participating in a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The Town provides a matching contribution of up to 3% of the eligible employee's annual salary. For the year ended December 31, 2014 the Town's contribution to the plan amounted to \$13,554.

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB's) – GASB 45****Plan description and annual OPEB cost**

New Hampshire law requires municipalities to permit retired employees and their spouses to continue medical coverage after retirement if they pay the full premium rate charged for active employees. When the same premiums are charged to active employees and retirees, and the town is unable to obtain age-adjusted premium information for the retirees, GASB 45 requires the town to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

The town provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Employees in Group I are eligible for retirement benefits beginning at age 50. Employees in Group II are eligible for benefits beginning at age 45. The retiree pays 100% for the cost of benefits. Certain service provisions apply at various retirement ages. Retirees are required to pay 100% of the cost for coverage. This valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving beneficiaries continue to receive coverage after the death of the eligible retired employee but are required to pay 100% of the cost.

The town implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the Town to calculate and record a net other post-employment benefit obligation at year end. The Town used the alternative measurement method to prepare this valuation permitted by Statement 45. The net other post-employment benefit obligation is basically the cumulative difference between the required contribution and the actual contributions made.

Currently, 1 retired employee receives health benefits from the town. The town recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended December 31, 2014, the Town recognized \$7,332 for its share of insurance premiums for currently enrolled retirees.

The town has obtained a valuation report which indicates that the total liability for other post-employment benefits is \$361,615 (\$28,491 related to retirees and \$333,124 related to employees).

The town's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.



# TOWN OF NOTTINGHAM

## Notes to Basic Financial Statements December 31, 2014

The following table shows the components of the town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the town's net OPEB obligation:

	For the Year Ended December 31, 2014
Annual required contribution (ARC)	\$ 56,478
Interest on Net OPEB	3,443
Less: Adjustment to ARC	<u>(4,880)</u>
Annual OPEB cost	55,041
Contributions made	<u>(7,332)</u>
Increase in net OPEB obligation	47,709
Net OPEB Obligation - beginning of year	<u>86,065</u>
Net OPEB Obligation - end of year	<u>\$ 133,774</u>

The town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 55,041	13.32%	\$ 133,774

As of the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$361,615 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$361,615. The covered payroll (annual payroll of active employees covered by the plan) was \$779,443, and the ratio of the UAL to the covered payroll was 46.4%. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Cost methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The cost methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the most recent valuation, the Projected Unit Credit cost method was used, the assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

The annual healthcare cost trend rates below were applied:

<u>Year</u>	<u>Medical</u>
12/31/2014	10.00%
12/31/2015	9.00%
12/31/2016	8.00%
12/31/2017	7.00%
12/31/2018	6.00%
12/31/2019	5.00%
12/31/2020	5.00%

The remaining amortization period at December 31, 2014 was 29 years.

## NOTE 12 - FUND BALANCE COMPONENTS

The town's governmental fund balance components under GASB 54 are comprised of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>
Nonspendable:		
Endowment principal - Common Trust Funds	\$ -	\$ 50,055
Endowment principal - McLean Rescue Squad Fund	-	109,168
Restricted:		
Recreation Revolving Fund	-	155,888
Capital reserves	498,134	-
Conservation Fund	-	435,333
NCPD Playground Fund	-	17,359
Ambulance Fund	-	280,506
Theatre Project	-	7,314
Cable Franchise Fee Fund	-	48,436
Common Trust Funds	-	32,394
McLean Rescue Squad Fund	-	10,394
Committed:		
DARE Fund	-	5,120
Assigned:		
Library Fund	-	43,546
Unassigned:	<u>1,289,667</u>	<u>(717)</u>
	<u>\$ 1,787,801</u>	<u>\$ 1,194,796</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF NOTTINGHAM

## Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ -	\$ 22,418	\$ 1,041,139	\$ 1,018,721
Resources (inflows):				
Taxes				
Property taxes	11,739,700	11,739,700	11,743,294	3,594
Taxes assessed for school	(8,715,384)	(8,715,384)	(8,715,384)	-
Taxes assessed for county	(564,150)	(564,150)	(564,150)	-
Land use change taxes	-	-	21,500	21,500
Timber taxes	10,000	10,000	17,558	7,558
Interest and penalties on delinquent taxes	125,000	125,000	122,337	(2,663)
Excavation tax	100	100	98	(2)
Provision for overlay and abatements	(22,180)	(22,180)	(31,322)	(9,142)
Licenses, permits and fees				
Business licenses and permits	24,000	24,000	32,448	8,448
Motor vehicle permit fees	750,000	750,000	837,611	87,611
Building permits	45,000	45,000	55,292	10,292
Other licenses, permits and fees	30,000	30,000	10,452	(19,548)
State of NH sources				
Meals and rental tax distribution	233,340	233,340	233,340	-
Highway block grant	126,788	126,788	127,244	456
State and federal forest land reimbursement	2,814	2,814	2,814	-
Other	3,284	3,284	-	(3,284)
Charges for services				
Income from departments	75,000	75,000	36,972	(38,028)
Parks and recreation	-	-	41,049	41,049
Other charges	30,000	30,000	-	(30,000)
Miscellaneous revenues				
Sale of municipal property	-	-	3,297	3,297
Interest on investments	700	700	279	(421)
Rents of property	-	-	1,525	1,525
Insurance dividends and reimbursements	-	-	31,439	31,439
Other miscellaneous sources	30,000	30,000	35,760	5,760
Interfund operating transfers in				
Transfers from special revenue funds	24,850	24,850	-	(24,850)
Transfers from other funds	6,800	6,800	-	(6,800)
Actual inflows (excluding fund balance)	<u>3,955,662</u>	<u>3,955,662</u>	<u>4,043,453</u>	<u>87,791</u>
Amounts available for appropriation	\$ <u>3,955,662</u>	\$ <u>3,978,080</u>	\$ <u>5,084,592</u>	\$ <u>1,106,512</u>

# TOWN OF NOTTINGHAM

## Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	\$ 158,110	\$ 158,110	\$ 191,619	\$ (33,509)
Election and registration	80,820	80,820	76,661	4,159
Financial administration	103,908	103,908	114,915	(11,007)
Revaluation of property	70,465	70,465	72,937	(2,472)
Legal expense	43,010	43,010	11,629	31,381
Personnel administration	511,964	511,964	421,502	90,462
Planning and zoning	30,988	30,988	29,156	1,832
General government building	142,154	160,704	135,872	24,832
Cemeteries	9,000	9,000	6,821	2,179
Insurance not otherwise allocated	65,495	65,495	78,842	(13,347)
Advertising and regional association	2,500	4,900	1,170	3,730
Other general government	25,000	25,000	24,015	985
Public safety				
Police	517,614	517,614	490,688	26,926
Ambulance	24,850	24,850	-	24,850
Fire	303,072	303,072	267,222	35,850
Building inspection	52,452	52,452	53,493	(1,041)
Emergency management	4,260	4,260	3,500	760
Highways and streets				
Highways and streets	497,561	497,561	524,394	(26,833)
Bridges	199,060	199,060	-	199,060
Other highway	273,000	273,000	443,093	(170,093)
Sanitation				
Solid waste disposal	188,100	189,568	180,187	9,381
Health				
Administration	675	675	660	15
Pest control	4,860	4,860	4,377	483
Welfare				
Administration	-	-	1,620	(1,620)
Direct assistance	15,920	15,920	1,280	14,640
Vendor payments	26,966	26,966	26,866	100
Culture and recreation				
Parks and recreation	91,231	91,231	78,335	12,896
Library	151,153	151,153	155,181	(4,028)
Other culture and recreation	10	10	10,010	(10,000)
Conservation				
Administration	-	-	755	(755)
Purchase of natural resources	4,000	4,000	-	4,000
Other conservation	1,820	1,820	-	1,820
Debt service				
Principal on long term bonds and notes	141,476	141,476	141,475	1
Interest on long term bonds and notes	66,168	66,168	65,200	968

## TOWN OF NOTTINGHAM

### Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance
Capital outlay				
Land and improvements	\$ -	\$ -	\$ 10,300	\$ (10,300)
Machinery, vehicles, and equipment	20,000	20,000	43,150	(23,150)
Interfund operating transfers out				
Capital reserve transfers	128,000	128,000	128,000	-
Total charges to appropriations	<u>3,955,662</u>	<u>3,978,080</u>	<u>3,794,925</u>	<u>183,155</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,667</u>	<u>\$ 1,289,667</u>

## TOWN OF NOTTINGHAM

---

### Schedule of Funding Progress for Other Postemployment Benefits Year Ended December 31, 2014

<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>			<b>Estimated</b>	<b>UAAL as a</b>
<b>Valuation Date</b>	<b>Value of</b>	<b>Accrual Liability</b>	<b>Unfunded AAL</b>	<b>Funded</b>	<b>Covered</b>	<b>Percentage of</b>
	<b>Assets</b>	<b>(AAL)</b>	<b>(UAAL)</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Covered</b>
						<b>Payroll (AAL)</b>
January 1, 2012	\$ -	\$ 241,960	\$ 241,960	NA	\$ 684,349	35.40%
January 1, 2013	\$ -	\$ 293,362	\$ 293,362	NA	\$ 698,036	42.00%
January 1, 2014	\$ -	\$ 361,615	\$ 361,615	NA	\$ 779,443	46.40%

See the accompanying notes to the required supplementary information.



## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## NOTE 1 - BUDGETARY INFORMATION

### A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted Town budget by voters at the annual Town meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the Town. After final allocation of state aid programs to the Town and approval of final estimated revenues, a balanced Town budget is achieved in accordance with State statute (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring *before* the beginning of the year.

### B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

#### Budgetary Changes

In accordance with RSA 31:95-b, appropriations may be made by the Board of Selectmen by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the Town. Such money may be used only for legal purposes for which a Town may appropriate money; shall not require the expenditure of other Town funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of Town monies. The statute requires the Board of Selectmen to hold a public hearing on the action to be taken and to comply with various public notice requirements.

#### Transfers

The Board of Selectmen may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus appropriations allowable under RSA 31:95-b, encumbrances carried forward from the prior year and continuing appropriations, if any).

#### Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

### C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.

## NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

### Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,084,592
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit	(1,041,139)
Capital reserve transfers	-
Actual revenues that are not inflows for budgetary purposes	
Earnings on capital reserve investments	<u>10,636</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ <u>4,054,089</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,794,925
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	(128,000)
Actual expenditures that are not outflows for budgetary purposes	
Transfers to other funds	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ <u>3,666,925</u>

## NOTE 3 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

The town is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the town is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees. Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB No. 45). As part of that disclosure the town is required to include as required supplementary information the Schedule of Funding Progress for the most recent actuarial valuation and the two preceding valuations.

## **OTHER SUPPLEMENTARY INFORMATION**

# TOWN OF NOTTINGHAM

## Combining Balance Sheet - Nonmajor Governmental Funds December 31, 2014

	Library Fund	Recreation Revolving Fund	Conser- vation Fund	DARE Fund	NCP Playground Fund	Ambulance Fund	Theatre Project	Cable Franchise Fee Fund	Common Trust Funds	McLean Rescue Squad Fund	Total Nonmajor Governmental Funds
<b>Assets</b>											
Cash and cash equivalents	\$ 43,546	\$ 140,346	\$ 435,333	\$ 7,001	\$ 13,544	\$ 230,325	\$ 5,849	\$ 57,334	\$ 82,449	\$ 119,562	\$ 1,135,289
Accounts receivable	-	-	-	-	-	63,826	-	-	-	-	63,826
Due from other funds	-	15,542	-	-	3,815	-	1,465	-	-	-	20,822
Total assets	<u>\$ 43,546</u>	<u>\$ 155,888</u>	<u>\$ 435,333</u>	<u>\$ 7,001</u>	<u>\$ 17,359</u>	<u>\$ 294,151</u>	<u>\$ 7,314</u>	<u>\$ 57,334</u>	<u>\$ 82,449</u>	<u>\$ 119,562</u>	<u>\$ 1,219,937</u>
<b>Liabilities and Fund Balances</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	1,881	-	14,362	-	8,898	-	-	25,141
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,881</u>	<u>-</u>	<u>14,362</u>	<u>-</u>	<u>8,898</u>	<u>-</u>	<u>-</u>	<u>25,141</u>
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	50,055	109,168	159,223
Restricted	-	155,888	435,333	-	17,359	280,506	7,314	48,436	32,394	10,394	987,624
Committed	-	-	-	5,120	-	-	-	-	-	-	5,120
Assigned	43,546	-	-	-	-	-	-	-	-	-	43,546
Unassigned	-	-	-	-	-	(717)	-	-	-	-	(717)
Total fund balances	<u>43,546</u>	<u>155,888</u>	<u>435,333</u>	<u>5,120</u>	<u>17,359</u>	<u>279,789</u>	<u>7,314</u>	<u>48,436</u>	<u>82,449</u>	<u>119,562</u>	<u>1,194,796</u>
Total liabilities and fund balances	<u>\$ 43,546</u>	<u>\$ 155,888</u>	<u>\$ 435,333</u>	<u>\$ 7,001</u>	<u>\$ 17,359</u>	<u>\$ 294,151</u>	<u>\$ 7,314</u>	<u>\$ 57,334</u>	<u>\$ 82,449</u>	<u>\$ 119,562</u>	<u>\$ 1,219,937</u>

# TOWN OF NOTTINGHAM

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2014

	Library Fund	Recreation Revolving Fund	Conser- vation Fund	DARE Fund	NCP Playground Fund	Ambulance Fund	Theatre Project	Cable Franchise Fee Fund	Common Trust Funds	McLean Rescue Squad Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>											
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	78,657	-	-	-	70,333	12,230	32,113	-	-	193,333
Miscellaneous revenues	59,914	-	44	481	4,766	18	-	5	3,195	3,014	71,437
Total revenues and other financing sources	59,914	78,657	44	481	4,766	70,351	12,230	32,118	3,195	3,014	264,770
<b>Expenditures</b>											
General government	-	-	-	-	-	-	-	25,631	-	-	25,631
Public safety	-	-	-	1,881	-	13,361	-	-	-	5,790	21,032
Culture and recreation	59,523	63,101	-	-	951	-	10,764	-	-	-	134,339
Total expenditures and other financing sources	59,523	63,101	-	1,881	951	13,361	10,764	25,631	-	5,790	181,002
Excess revenue and other financing sources over (under) expenditures and other financing uses	391	15,556	44	(1,400)	3,815	56,990	1,466	6,487	3,195	(2,776)	83,768
Fund balances - beginning of year	43,155	140,332	435,289	6,520	13,544	222,799	5,848	41,949	79,254	122,338	1,111,028
Fund balances - end of year	\$ 43,546	\$ 155,888	\$ 435,333	\$ 5,120	\$ 17,359	\$ 279,789	\$ 7,314	\$ 48,436	\$ 82,449	\$ 119,562	\$ 1,194,796